

If Executives Don't Voluntarily Forgo Payments, Bill Would Tax Bonuses at 90%
March 19, 2009

WASHINGTON, DC - U.S. Rep. Charlie Melancon (LA-03) today voted to recover taxpayers' dollars from AIG and other companies that rewarded employees with excessive bonuses while simultaneously accepting billions in taxpayer assistance. H.R. 1586, the Bonus Recoupment Tax Bill, would impose a new 90 percent income tax on bonuses received by individuals from companies which have received over \$5 billion from the Troubled Asset Relief Program (TARP). It would also apply to bonuses paid by Fannie Mae and Freddie Mac.

"Louisianians are justifiably outraged that Wall Street thinks they can pay out bonuses to their employees at taxpayer expense," said Rep. Melancon. **"Our tax dollars should not and will not be used to reward AIG executives whose irresponsible risk-taking brought our financial system to the brink of collapse. This bill will hold accountable companies that accepted TARP money, and I strongly support it. If AIG won't act responsibly and return the bonuses, we will use every tool available to make them repay the American public."**

After receiving more than \$170 billion in taxpayer funds, AIG paid \$165 million in retention payments to executives - most of whom have mismanaged their company into near bankruptcy. The top recipient received more than \$6.4 million and more than 73 of these executives were paid over \$1 million in retention bonuses. After receiving their retention bonuses, at least eleven recipients left the company.

Rep. Melancon has supported several bills in Congress to bring accountability to the TARP and prevent further abuses of taxpayer dollars. In January, Rep. Melancon voted for the TARP Reform and Accountability Act, which would have prohibited bonuses for top executives at companies accepting taxpayer funds and banned multi-million dollar "golden parachutes." H.R. 384 passed the House on January 21, but the Senate has not yet acted on the bill.

Rep. Melancon also supported provisions in the American Recovery and Reinvestment Act (also known as the "stimulus") that would also have curbed multi-million dollar pay packages on Wall Street by imposing new limits on executive compensation at financial institutions and other corporations that have received or will receive funds through the TARP. In addition to these limits, the recovery package also included a provision requiring the Treasury to review past compensation paid to the top 25 employees of TARP recipients and seek to negotiate for reimbursements if those payments were "contrary to the public interest or inconsistent with the purposes of the Act or the TARP." H.R. 1 was signed into law by the President on February 17.

The recovery provisions in the Bonus Recoupment Tax Bill passed today would apply to retention payments, incentive payments, or other bonuses from these companies received after December 31, 2008. The tax only would apply to bonuses received by employees with adjusted gross income over \$250,000.

This week, Congress held hearings demanding answers from AIG on steps the company is taking to repay taxpayers. Next week, there will be further congressional action to prohibit the

abuse of retention bonuses by companies receiving capital infusions from Treasury. The Judiciary Committee has passed a bill to authorize the Attorney General to recover excessive compensation from these companies.

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